

KAROO HOOGLAND MUNICIPALITY



FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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GENERAL INFORMATION

I. GRADING

Grade 1 – Category B.

Council is accorded a Grade 1 under a Category B local authority.

II. AUDITORS

External Auditors

The Office of the Auditor – General
Private Bag X5013
KIMBERLEY

III. BANKERS

ABSA Bank
Fraserburg

IV. REGISTERED OFFICE

Herbs Street
Williston
8920

Private Bag x2
Williston
8920

V. GENERAL ACTIVITIES

Council undertakes the spectrum of a Category B municipality activities allocated by legislation.

VI. COUNCILLORS

Council's structure is based on the Executive Committee System, Incorporating the following area:

- Williston
- Fraserburg
- Sutherland

7.1 *Mayor of Karoo Hoogland Municipality:*

J.K. Malho

7.2 *Councilors of Karoo Hoogland Municipality*

JJ van der Colff	-	Finances
MM Louw	-	Economics
SJC Theron	-	Agriculture
JJJ Storm	-	Infrastructure and Housing
MM van Wyk	-	Public Administration
JJ de Wee	-	Public Works and Roads

8. MANAGEMENT STRUCTURE

Council's senior management structure consists of the Municipal Manager, heads of xxx main department. The office of the Municipal Manager includes management functions pertaining to municipal systems improvement and performance management functions.

Acting-Municipal Manager

Mr. L Nothnagel

Manager: Corporate Services

Mr. L Nothnagel

Acting-Manager: Finance

Mr. S.J. van Sckalkwyk

Manager Infrastructure:

Mr. GJ van Sckalkwyk

9. CERTIFYING OF FINANCIAL STATEMENTS

I am responsible for the preparation of these financial statements, which are set out on pages S-1 to A-6 in terms of section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councilors as disclosed in note 19 of the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

L Nothnagel

Acting-Municipal Manager

PREAMBLE / VOORWOORD

For the ease of audit purposes the financial statements contained in this document has been compiled in English. However, in this municipality Afrikaans is the language medium of the majority of people and I will take the liberty to proceed with this preamble in Afrikaans.

Die 2007/08 boekjaar, met spesifieke verwysing na die eerste 6 maande, was allermens 'n periode met enige noemenswaardige prestasies.

Dit was eerder 'n tydperk waartydens Karoo Hoogland met van sy grootste krississe nog, sou worstel.

Die probleme het gemanifesteer in 'n omgewing gekenmerk deur onstabiele in vele opsigte en ek verwys na die volgende :

'n Verbruikersboikot in die betaling van belasting en diensgelde in Williston en Sutherland het na 18 maande sy tol begin eis.

Die kultuur van wanbetaling het voortgesleep.

Klagtes van beweerde finansiële wanbestuur het bekend geraak.

Senior poste is vakant gelaat.

Karoo Hoogland het ernstige kontantvloei-probleme ervaar.

Verouderde rekenaartoerusting het ernstige administratiewe gebreke tot gevolg gehad.

Die omvang van bogenoemde het my genoodsaak om ingrypende stappe te neem en die Provinsiale Departemente van Tesourie en Plaaslike Regering asook die DBSA is om hulp genader. Menslike hulpbronne is ook intern reorganiseer om kapasiteitsprobleme aan te spreek.

Ek kan vandag aan die einde van die boekjaar met versigtige oortuiging rapporteer dat goeie vordering gemaak is met die herstelplanne binne ons Munisipaliteit. Ons is weliswaar nog nie waar ons moet wees nie, maar die eerste tree in die regte rigting is gegee.

My kommentaar in hierdie voorwoord wyk dalk af van die tradisionele, maar dit is nodig dat omstandighede openlik en eerlik verwoord word.

My dank aan die gemelde provinsiale departemente, mede raadslede en die Munisipale Bestuurder met sy personeel wat my ondersteun.

J.K. Malho (me)

BURGEMEESTER

CHIEF FINANCIAL OFFICER REPORT

INTRODUCTION

In terms of Section 122 of the Municipal Financial Management Act, Act 56 of 2003, the financial statements for the period ending 30 June 2008 is hereby being presented. The financial statements for the period ending 30 June 2008 is presented in accordance with the Institute of Municipal Financial Officers User Code for the Accounting of Local Government (1992) and the Report on the Standardizing of Financial Statements of Local Government (4th edition, as amended) as approved by the Auditor General.

1. Financial results for the 2008 Financial Year

With the high poverty levels, a culture of non-payment, financial pressure is still being applied on Karoo Hoogland Municipality. The Council, the community and staff must act in a responsible manner to ensure that a healthy and sustainable economical climate prevails.

a. Constitutional and Legislative Responsibility

Statutory it has been entrusted upon councillors and officials to manage the assets and resources of the municipality in a responsible and efficient manner. All revenue that is due to council must be collected. All assets must be utilised and be maintained in such a manner to ensure that optimum service level benefits to the community is upheld.

b. Warning indicators

Two main indicators in the balance sheet that indicates that Karoo Hoogland Municipality is under enormous pressure with respect to cash flow are the following:

<i>Debtors</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance Actual R</i>
Debit	10,909,740	11,069,597	159,857
Less: Bad Debit	<u>7,459,974</u>	<u>3,491,782</u>	<u>3,968,192</u>
	3,449,766	7,577,815	4,128,049

What is of great concern is that this debit increase, has its origin from the previously disadvantaged areas, especially when one considers that the majority of registered indigent households come from these areas, who have already received 100% subsidy on services.

<i>Creditors</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance Actual R</i>
	5,257,247	4,096,493	1,160,754

On numerous occasions the municipality had to pay interest, because of late payments to creditors due to a lack of cash availability. This interest paid is regarded as fruitless.

2. Operating Results

Detail of the operating results of income and expenditure per department is shown in Appendix D. A general summary is shown below:

2.1 Community Services:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08</i>
Revenue	7,069,761	8,724,234	19%
Expenditure	8,847,217	13,748,476	64%
SURPLUS / (DEFICIT)	(1,777,456)	(5,024,242)	

Community Services consist of council and general services activities and reflects a net deficit of (R5, 024,242) compared to the approved deficit of (R2,014,916), this is mainly attributed to equitable share allocations.

2.2 Subsidized Services:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08 %</i>
Revenue	56,215	99,808	56%
Expenditure	1,250,305	1,442,650	14%
SURPLUS / (DEFICIT)	(1,194,090)	(1,342,842)	

This subsidized service reflects a net deficit of (R 1,342,842) compared to the approved surplus of R 1,362,524; this is mainly attributed to the

2.3 Economical Services:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08 %</i>
Revenue	2,131,730	2,244,731	5%
Expenditure	1,849,729	2,042,707	10%
SURPLUS / (DEFICIT)	282,001	202,024	

This economical service reflects a net surplus of R 202,024 compared to the approved surplus of R 694,425. Revenue exceeded budget expectations as well a staff compliment expenditure savings.

2.4 Housing:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08 %</i>
Revenue	0	0	0%
Expenditure	0	0	0%
SURPLUS / (DEFICIT)	0	0	

2.5 Trading Services:

<i>Revenue & Expenditure</i>	<i>Actual 2007 R</i>	<i>Actual 2008 R</i>	<i>Variance 2007/08 %</i>
Revenue	4,877,861	3,644,717	33%
Expenditure	3,605,647	4,793,247	25%
SURPLUS / (DEFICIT)	1,272,214	(1,148,530)	

This trading service reflects a net deficit of (R1, 148,530) compared to the approved surplus of R 2,476,155. Water losses are a major challenge that must be addressed by all stakeholders concerned and payment cultures.

3. Appropriations

Appropriations for the year amount to a net inflow of R 1,630,946.

4. Post-balance Sheet Events

No other significant events have occurred between the balance sheet date and the time of issuing this report.

5.1 Capital Expenditure

The acquiring of fixed asset for the 2007/2008 financial year amounted to R 1,918,243.00. The following is a summary thereof:

<i>Capital Expenditure</i>	Actual 2008 R	Budget 2008 R	Variance Actual / Budget %	Actual 2007 R
Infrastructure	1.061,338	0	1%	9,138,568
Community Assets	0	0	1%	
Other Assets	856,95	0	18%	
Housing Rental Stock	0	0		0
<i>TOTAL CAPITAL EXPENDITURE:</i>	<u>1,918,243</u>	<u>0</u>	0%	<u>9,138,568</u>

5.2 Financing

<i>Financing of Fixed Assets</i>	Actual 2008 R	Budget 2008 R	Variance Actual / Budget %	Actual 2007 R
Government Grants & Subsidies	1,543,116	0	2%	5,764,451
External Loans	375,127	0	0	3,374,117
Other Revenue (Own Funding)	0	0	0%	0
<i>TOTAL FUNDING OF CAPITAL EXPENDITURE:</i>	<u>1,918,243</u>	<u>0</u>	0%	<u>9,138,568</u>

6. External Loans

External loans outstanding as at 30 June 2008 amounted to R 3,694,655 as set out in Appendix B.

7. Cash and Investments

Council's cash and investments to the amount of R 613,237 reflect a increase of R 40,660 or 7% compared to the previous financial year.

8. Outstanding Debtors

Overall debtors including the short-term portion of long-term debts reflect an decrease of R 4,128,050 compared to the previous financial year. The decrease can mainly be attributed to the provision for bad debt, high poverty levels of the community, and the in ability of Council to restrict consumers effectively and a culture of non-payment.

9. Outstanding Creditors

Increase of outstanding creditors to the amount of R 1,160,754 and can mainly be attributed to the cash flow constraints that Council is experiencing due to poor payment rates of consumer accounts.

Unspent government grants reflect an increase of R 927, 271 mainly due to challenges with the implementation of certain projects.

10. Expression of Appreciation

I hereby wish to thank the Mayor, the Speaker, Councillors, the Municipal Manager, Heads of Departments and staff for their cooperation during the financial year.

A special word of appreciation to the staff involved with the compilation of the financial statements for their dedication and efforts, as well as to all the staff of the Financial Department for their support and commitment in the operations of the department.

Acting-Financial Manager

ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except for the revaluation of land and buildings, which are carried at fair value.

IMFO

The financial statements for the period ending 30 June 2008 is presented in accordance with the Institute of Municipal Financial Officers User Code for the Accounting of Local Government (1992) and the Report on the Standardizing of Financial Statements of Local Government (4th edition, as amended) as approved by the Auditor General.

These accounting policies are consistent with those of the previous financial year without any exceptions.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

- a. Income is recognised when it is measurable and collectable. Direct income i.e. traffic fines and licensing is recognised when received.
- b. Expenditure is recognised and recorded in the period that it has been incurred.

2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

3. CONSOLIDATING

The balance sheet represents the financial position of the Council and depicts the financial result of the various services i.e. Rates and General Services, Housing Services and Trade Services at the date.

4. *PROPERTY, PLANT AND EQUIPMENT*

4.1 Property, plant and equipment, is stated at:

- historical cost; or
- a value based on market value

4.2 The balance against the heading “Loans Redeemed and other Capital Receipts” in the notes to the financial statements is equivalent to the provision for depreciation. Property, Plant and Equipment is financed as follows:

- From revenue, where the total expense of the asset is debited against the income statement.
- Donations and Grants
- Internal and external loans, where the interest and redemption has been expensed in the income statement. Loans are redeemed over the useful life of the property, plant and equipment.

4.3 Proceeds from the sale of property, plant and equipment are invested in the Revolving Fund for future capital formation.

5. *INVESTMENTS*

Investments are stated at cost and made according to Council’s approved policy at accredited banking institutions determined by the Reserve Bank of South Africa.

6. *INVENTORIES*

Stores and materials held by Council are solely for use in the operations and have been transferred to the relevant accounts. The balance sheet value of stores and materials is determined by physical count and calculated at applicable cost.

7. *TRADE CREDITORS*

Trade creditors are stated at their nominal value.

8 *REVENUE RECOGNITION*

8.1 Service charges are based on consumption. Meters are read on a monthly basis and are recognized as revenue when invoiced.

8.2 Interest and rentals are recognized on a time proportion basis.

8.3 Revenue for agency services is recognized on a monthly basis in accordance with the agency agreement.

8.4 Other revenue is recognized when all conditions associated with the service rendered have been met.

8.5 Property Rates is recognized by calculating both the site valuation and the improvement valuation. Subsidies are granted to pensioners and indigents in conjunction to the Councils policy.

9 *FUNDS AND RESEVES*

9.1 Revolving Fund

- For the internal financing of property, plant and equipment through advances and loan services

9.2 The Council can establish other funds to make provision for unforeseen expenses i.e. leave payments; maintenance and repairs expenditure and a tariff stabilization fund.

10. *SURPLUSES AND DEFICITS: TRADE SERVICES*

Surpluses or deficits that are realized from the Trade Services are transferred to the Rates and General Account.

11. *DEFERRED CHARGES*

11.1 Cost incurred for acquisition of loans is capitalized and are expensed in the income statement over the period of the loan.

11.2 Loans outstanding after property, plant and equipment have been written-off are expensed against the income statement.

12. RETIREMENT BENEFITS

Karoo Hoogland Municipality and its workers contribute to the Cape Joint Retirement Fund or the Cape Joint Pension Fund, SAMWU Provident or SALA Pension Fund. Karoo Hoogland Municipality and its Councilors contribute to above-mentioned funds if so chosen, where retirement benefits to councilors are provided.

The retirement benefit plan is subject to the Pension Fund Act, 1956, with the pension calculated on the final contributions made. Current contributions are expensed in the income statement on the basis of service cost.

Actuary valuations are executed on a regular basis. It is unknown when the last actuary valuation has been done.

**KAROO HOOGLAND MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2008**

	Note	2008 R	20007 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3,050,009	3,073,594
Statutory Funds	1	3,000,061	3,027,194
Reserves	2	49,948	46,400
UNAPPROPRIATED SURPLUS / (DEFISIT)		(4,160,194)	1,522,450
		(1,110,185)	4,596,044
TRUST FUNDS	3	116,656	111,334
LONG-TERM LIABILITIES		3,694,655	3,387,983
CONSUMER DEPOSITS	4	144,612	135,013
		2,845,738	8,230,374
EMPLOYMENT OF CAPITAL			
PROPERTY, PLANT AND EQUIPMENT	5	4,784,933	4,478,263
INVESTMENTS		0	0
LONGTERM DEBTORS	7	0	0
DEFERED CHARGES		0	0
NET CURRENT ASSETS			
CURENT ASSET		(1,939,195)	3,752,111
		4,197,915	8,261,978
Inventory	8	0	0
Debtors	9	3,449,766	7,577,816
Cash		500	500
Short-term investment	10	613,237	572,577
Short-term portion of long-term debtors		0	0
Bank		134,412	111,085
LESS: CURRENT LIABILITIES		6,137,110	4,509,867
		336,034	314,692
Provisions	11	5,257,247	4,096,493
Creditors	12	0	0
Current portion of long-term creditors		543,829	98,692
Bank overdraft	10		
		2,845,738	8,230,374

**KAROO HOOGLAND MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30th JUNE 2008**

2007			2008				
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus (Deficit)	Budget Surplus (Deficit)
			RATES AND GENERAL SERVICES	11,068,773	17,233,833	(6,165,060)	(2,683,105)
7,069,761	8,847,217	(1,777,456)	Community Services	8,724,234	13,748,476	(5,024,242)	(2,015,006)
56,215	1,250,305	(1,194,090)	Subsidized Services	99,808	1,442,650	(1,342,842)	(1,362,524)
2,131,730	1,849,729	282,001	Economical Services	2,244,731	2,042,707	202,024	694,425
0	0	0	HOUSHING SERVICES	0	0	0	0
4,877,861	3,605,647	1,272,214	TRADE SERVICES	3,644,717	4,793,247	(1,148,530)	2,476,155
14,135,567	15,552,898	(1,417,331)	TOTAL	14,713,490	22,027,080	(7,313,590)	(206,950)
			Appropriations for the year (See note 17)			1,630,946	
			Net surplus / (deficit) for the year			(7,313,589)	
			Unappropriated surplus / (accumulated deficit) at the beginning of year			1,522,450	
			Unappropriated surplus / (accumulated deficit) at the end of year			(4,160,193)	

KAROO HOOGLAND MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Note	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from/ (utilized in)/ operations	18	(5,282,361)	(2,552,132)
Interest received	15	48,318	74,725
(Increase)/decrease in working capital	19	2,967,296	(1,774,506)
		<u>(2,266,747)</u>	<u>(4,251,913)</u>
<i>Less: External interest paid</i>	15	(190,059)	(90,296)
Cash available from operations		<u>(2,456,806)</u>	<u>(4,342,209)</u>
Cash contributions from the public and government		4,109,037	9,561,381
Net proceeding from the sale of assets		0	0
		<u>4,109,037</u>	<u>9,561,381</u>
		<u>1,652,231</u>	<u>(4,783,589)</u>
CASH UTILISED FOR INVESTEMENT OPERATION			
Investment in fixed assets	Appendix C	(1,918,243)	(9,138,568)
Net cash flow		<u>(266,012)</u>	<u>(3,919,396)</u>
		=====	=====
NET CASH FROM FINANCING ACTIVITIES			
Increase/(decrease) in short-term loans	20	306,672	3,300,159
(Increase)/decrease in cash investment	21	(40,660)	629,237
(Increase)/decrease in cash	22	0	0
		<u>266,012</u>	<u>3,919,396</u>
		=====	=====
Net cash		<u>266,012</u>	<u>3,919,396</u>
		=====	=====

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

1. STATUTORY FUNDS

	2008 R	2007 R
Revolving Fund	2,968,719	2,964,858
Civil Defence Fund	26,707	44,507
Dog Tax Fund	4,635	17,829
Total	3,000,061	3,027,194

(Refer to appendix A for more detail)

2. RESERVES

	2008 R	2007 R
General Maintenance Reserve	29,303	27,206
Sport Fund	20,645	19,194
Total	49,948	46,400

(Refer to appendix A for more detail)

4. TRUST FUNDS

	2008 R	2007 R
Housing Funds	86,931	80,557
Integrated Development Fund	29,725	30,777
Total	116,656	111,334

(Refer to appendix A for more detail)

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

5. CONSUMER DEPOSITS

	2008 R	2007 R
Deposits: Electricity and Water	142,813	135,013
Total	<u>142,813</u> =====	<u>135,013</u> =====

No guarantee are held in place of any consumer deposit

6. FIXED ASSETS

	2008 R	2007 R
Fixed assets at the beginning of the year	18,139,341	9,000,773
Capital expenditure during the year	1,918,243	9,138,568
	<u>20,057,584</u>	<u>18,139,341</u>
<i>Less: assets written-off; redeemed or</i>	<u>0</u>	<u>0</u>
Total fixed assets	<u>20,057,584</u>	<u>18,139,341</u>
<i>Less: Loans redeemed and other capital cost</i>	15,272,651	13,661,079
	<u>4,784,933</u> =====	<u>4,478,263</u> =====

(Refer to appendix C and paragraph of the Treasures Report for more detail)

6. INVESTMENTS

	2008 R	2007 R
Cheque Account Trust Fund – ABSA – IDP	29,725	30,777
Call deposit - ABSA	583,512	541,800
Total	<u>613,237</u> =====	<u>572,577</u> =====

Circular no. C/46/1994 of 26 October 1994 issues by the Provincial Administration, Prescribes that municipalities must invest funds with approved financial institutions Where fund are not immediately required. The investment period must be such that no penalty cost is levied on the investment concerned.

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

7. LONG-TERM DEBTORS

	2008 R	2007 R
Other loans	0	0
Staff Vehicle Loans	0	0
	<hr/>	<hr/>
Less: Short-term portion	0	0
	<hr/>	<hr/>
	0	0
	<hr/>	<hr/>

8. INVENTORY

	2008 R	2007 R
Consumer inventory	0	0
	<hr/>	<hr/>
	0	0
	<hr/>	<hr/>

Inventory represents completed products

9. DEBITORS

	2008 R	2007 R
Current debtors (consumers and other)	10,824,637	9,871,626
VAT	34,927	1,016,807
Payments in advance	50,176	181,164
	<hr/>	<hr/>
	10,909,740	11,069,597
	<hr/>	<hr/>
<i>Less: Provisions for bad-debt</i>	<i>(7,459,974)</i>	<i>(3,491,782)</i>
	<hr/>	<hr/>
	3,449,766	7,577,815
	<hr/>	<hr/>

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

7. BANK	2008 R	2007 R
The municipality has the following bank accounts:		
Primary bank account		
Fraserburg		
ABSA – 2490000065		
Cash book balance at beginning of year	(98,682) =====	366,646 =====
Cash book balance at the end of year	(543,829) =====	(98,682) =====
Bank statement balance at the end of year	(543,829) =====	(98,682) =====
Sutherland		
Standard Bank – 083172572		
Cash book balance at beginning of year	10,122 =====	23,841 =====
Cash book balance at the end of year	0 =====	10,122 =====
Bank statement balance at the end of year	0 =====	10,122 =====
Williston		
Standard Bank – 083212442		
	2008 R	2007 R
Cash book balance at beginning of year	100,963 =====	174,264 =====
Cash book balance at the end of year	134,912 =====	100,963 =====
Bank statement balance at the end of year	134,412 =====	103,173 =====
11. PROVISIONS		
	2008 R	2007 R
Leave Fund	336,034	314,692
	336,034 =====	314,692 =====
<i>(Refer to appendix A for detail)</i>		

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

12. CREDITORS

	2008	2007
	R	R
Trade creditors	2,729,029	1,557,080
Receipts made in advance		1,230,283
VAT	1,183,400	976,867
Payment made in advance – Debtors	417,547	0
Salaries	0	332,263
Unspent Grants	927,271	0
	<u>5,257,247</u>	<u>4,096,493</u>
	=====	=====

13. COUNCIL RENUMERATION

	2008	2007
	R	R
Mayors allowance	289,524	270,260
Deputy Mayor and Councilors allowance	547,200	512,525
	<u>836,724</u>	<u>782,785</u>
	=====	=====

14. AUDIT FEES

	2008	2007
	R	R
Audit fees – audit services	943,546	155,530
	=====	=====
Levies paid during the year	<u>119,290</u>	<u>90,572</u>
	=====	=====

15. FINANCING TRANSACTIONS

	2008	2007
	R	R
Total external interest received or paid:		
Interest received	48,318	74,725
Interest paid	190,059	90,296
Capital cost expensed in the income statement:		
Interest and redemption:		
External	258,540	103,635
Internal	0	247,262
Other capital cost	0	0
Deferred cost written-off	0	0
	<u>258,540</u>	<u>350,897</u>
	=====	=====

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

16. PROPERTY RATES

	Site valuation at 1 July 2002	Improvement valuation at 1 July 2002	Actual income 2008	Actual income 2007
	R	R	R	R
Residential and Commercial	1,177,280	32,451,962		
Government	108,700	9,843,050		
Municipality	20,028	222,070		
	<u>1,306,008</u>	<u>42,517,082</u>	<u>1,967,211</u>	<u>2,033,975</u>
	=====	=====	=====	=====

The valuation of improvements and sites must be valued every four year. The effective date of last general valuation was 1 July 1990. The base rate was 0.05082 cent in the rand on all ratable property. Apart from the statutory reduction of 20% on government property is no other reductions on rates granted.

17. APPROPRIATIONS

	2008 R	2007 R
Appropriation account		
Unappropriated surplus at the beginning of the year	1,522,450	1,438,512
Operating surplus/ (deficit) for the year	(7,313,589)	(1,417,331)
Appropriation for the year:		
Provision for bad debit		0
Other appropriations	1,630,946	1,501,269
Unappropriated deficit at the end of the year	<u>(4,160,193)</u>	<u>1,522,450</u>
	=====	=====

Operations:

Capital expenditure	(analysis of Appendix D)	258,540	192,973
		=====	=====
<i>Contributions to:</i>			
Revolving Fund		0	0
Equitable Share		0	0
Dog Tax Fund		0	0
Leave Fund		0	0
		<u>0</u>	<u>0</u>
		=====	=====

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

18. CASH GENERATED BY OPERATIONS

	2008 R	2007 R
Surplus/ (deficit) for the year	(7,313,589)	(1,417,331)
Appropriations i.e. previous year operations	1,630,946	(1,501,269)
Appropriation expensed against income:		
Revolving Fund	0	0
Provisions and reserves	0	0
Fixed assets	0	0
Capital Cost:	258,541	350,897
Interest paid and redeemed:		
Internal funds (Appendix A analysis)	0	247,262
External loans	258,541	103,635
Contributions from Income	0	0
Investment income	(48,318)	(74,725)
Interest paid	190,059	90,296
Non-operational income / (expenditure)	0	0
	<hr/>	<hr/>
	(5,282,361)	(2,552,132)
	=====	=====

19. (INCREASE)/DECREASE IN OPERATING CAPITAL

	2008 R	2007 R
(Increase)/decrease in inventory	0	0
(Increase)/decrease in debtors	4,128,050	(2,667,141)
(Increase)/decrease in creditors provision	(1,160,754)	892,635
	<hr/>	<hr/>
	2,967,296	(1,774,506)
	=====	=====

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

20. INCREASE/ (DECREASE) IN SHORT-TERM LOANS (EXTERNAL)

	2008 R	2007 R
Loans raised	375,127	3,374,117
Loans redeemed	(68,455)	(73,958)
	<hr/>	<hr/>
	306,672	3,300,159
	=====	=====

21. (INCREASE)/DECREASE IN EXTERNAL INVESTMENTS

	2008 R	2007 R
Investments realized	<hr/>	<hr/>
	(40,660)	619,237
	=====	=====

22. (INCREASE)/DECREASE IN CASH ON HAND

	2008 R	2007 R
Cash balance at the beginning of the year	500	500
<i>Less: Cash balance at the end of the year</i>	(500)	(500)
	<hr/>	<hr/>
	0	0
	=====	=====

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

23. RETIREMENT BENEFITS

All Councillors and employees belong to retirement funds. These funds are subject to an actuarial valuation. These valuations indicate that the funds are in a sound financial position.

An amount of R 578,971 was contributed by Council in respect of councilor and employees retirement funding. These contributions have been expensed.

Certain employees were historically prevented from joining Council's retirement funds. In terms of Council's employment policies, an obligation to provide pensions exists. These amounts are expensed on payment.

24. ADDITIONAL

National Treasury circular dated 16 March 2004 paragraph 50 refers

- i. *Statutory commitments*

The following creditors have been accounted for at 30 June 2008:

SARS- PAYE
SARS- VAT
SARS - SDL
SARS – UIF
Auditor-General- Audit fees
Cape Joint Pension Fund - Contributions
Cape Joint Retirement Fund- Contributions
SAMWU Provident Fund- Contributions
SALA Pension Fund- Contributions
LAMAF Medical Aid- Contributions
Munimed Medical Aid- Contributions

25. EQUITABLE SHARE (Schedule 3 of DORA)

Grant from National Treasury to the value of R 4,996,305 was received for intergovernmental allocation for free electricity; free basic services.

The grants where received as follows:

a.	July 2007	R 1,665,435
b.	November 2007	R 1,249,076
c.	February 2008	R 2,081,794
		<hr/>
		R 4,996,305
		=====

These unconditional grants was utilised to grant qualified indigent house with free basic services.

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

26. CONDITIONAL ACCOUNTABILITY AND CONTRACTUAL OBLIGATIONS

The municipality had no conditional accountability or contractual obligations as at 30 June 2008.

27. CAPITAL OBLIGATIONS

The municipality had no capital obligations as at 30 June 2008.

28. UNAUTHORISED, WASTEFUL AND FRUITLESS EXPENDITURE

During the 2007/2008 financial year an alleged financial mismanagement were discovered and referred to the South African Police Services for investigation. Indications are that the occurrence relates to the 2006/2007 and 2007/2008 financial years. Total amount under investigation exceeds R 2m.

29. ARREAR ACCOUNTS OF COUNCILORS

The following councilors had arrear accounts for longer than 90 days at 30 June 2008:

	<u>Total</u> <u>R</u>	<u>Outstanding</u> <u>Less than 90 days</u>	<u>Outstanding</u> <u>more than 90 days</u>
Councilor JK Malho	209.25	209.25	0
Councilor JJJ Storm	2,075.10	444.50	1,630.60
Councilor JJ de Wee	217.15	217.15	0
	<u>2,501.50</u>	<u>870.90</u>	<u>1,630.60</u>
	=====	=====	=====

KAROO HOOGLAND MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2008

30. CONTRIBUTIONS FROM LOCAL GOVERNMENT

No contributions were received from organized local government during the financial year.

31. DISCLOSURES

With the implementation of the Municipal Financial Management Act 2003, additional disclosures have been made.

APPENDIX A

KAROO HOOGLAND MUNICIPALITY

TRUST FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS

30 JUNE 2008

	Balance At 1/07/2007	Contributions during the year	Interest on investments	Other Income	Expenditure during the year	Balance at 30/06/2008
Statutory Funds	R	R	R	R	R	R
Revolving Fund	2,964,858	0	2,360	1,501	0	2,968,719
Civil Defence Fund	44,507	0	3,452	0	21,252	26,707
Dog Tax Fund	17,829	0	4,635	0	17,829	4,635
	3,027,194	0	10,447	1,501	39,081	3,000,061
Trust Funds						
Housing Fund	80,557	0	6,374	0	0	86,931
Integration Development Fund	30,777	0	91	0	1,143	29,725
	111,334	0	6,465	0	1,143	116,656
Reserves						
General Maintenance Fund	27,206	0	2,097	0	0	29,303
Sport Fund	19,194	0	1,451	0	0	20,645
	46,400	0	3,548	0	0	49,948
Provisions						
Leave Fund	314,692	0	21,342	0	0	336,034
	314,692	0	21,342	0	0	336,034

APPENDIX B

KAROO HOOGLAND MUNICIPALITY

EXTERNAL LOANS AND INTERNAL ADVANCES

30 JUNE 2008

	Balance At 1/7/2007	Received during The period	Redeem, written off during the period	Interest paid	Balance at 30/6/08
EXTERNAL LOANS	R	R	R	R	R
Government Loans (Housing)	0	0	0		0
DBSA @ 13.72% (Electricity)	3,387,983	375,127	68,455	190,059	3,694,655
INTERNAL ADVANCES AND LOAN SERVICES					
Revolving Fund	336,389	0	0	0	336,389
TOTAL	3,734,472	375,127	68,455	190,059	4,031,044

Note:

Exciting external loans financed by DBSA at 5% have to be redeemed by 31 December 2026.

APPENDIX C
KAROO HOOGLAND MUNICIPALITY: DETAIL FIXED ASSETS FOR THE PERIOD ENDING 30 JUNE 2008

	Budget	Balance at 1 July 2007	Expenditure	Redeemed Written-off Transferred	2008 Balance at 30 June 2008
	R	R	R	R	R
RATES AND GENERAL		6,658,084	1,205,734	0	7,863,818
Community Services		4,334,526	0	0	4,334,526
Commonage	0	1,160,860	0	0	1,160,860
Furniture and Equipment	0	201,059	0	0	201,059
Council General	0	1,316,012	0	0	1,316,012
Administration	0	161,167	0	0	161,167
Health Services	0	13,411	0	0	13,411
Corporate Services	0	280,334	0	0	280,334
Public Works	0	1,191,119	0	0	1,191,119
Town Planning	0	10,564	0	0	10,564
Subsidized Services		1,684,413	0	0	1,684,413
Municipal Buildings	0	812,153	0	0	812,153
Library	0	116,131	0	0	116,131
Civic Buildings	0	260,612	0	0	260,612
Land	0	79,127	0	0	79,127
Improvements	0	29,106	0	0	29,106
Museum	0	3,273	0	0	3,273
Parks and Recreation	0	384,011	0	0	384,011
Economical Services		639,145	1,205,734	0	1,844,879
Vehicle and equipment	0	151,693	856,905	0	1,008,598
Sewerage	0	284,709	348,829	0	633,538
Sanitation	0	202,743	0	0	202,743
HOUSING SERVICES		0	0	0	0
Sub-economical housing	0	0	0	0	0
TRADING SERVICES		11,481,257	712,509	0	12,193,766
Electricity	0	4,885,933	375,127	0	5,261,060
Water	0	6,595,324	337,382	0	6,932,706
Total Fixed Assets		18,139,341	1,918,243	0	20,057,584
Min: Loans redeemed and other Capital receipts		13,661,079	1,611,572	0	15,272,651
Loans redeemed and advances paid		918,251	68,455	0	986,706
Contributions from revenue		2,819,252	0	0	2,819,252
Provisions and reserves		214,410	0	0	214,410
Grants and subsidies		9,709,166	1,543,117	0	11,252,283
Contributions from the public		0	0	0	
Net Fixed Assets		4,478,263	306,671	0	4,784,933

APPENDIX D
KAROO HOOGLAND MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008

2007 Actual R		2008 Actual R	2008 Budget R
	INCOME		
4,471,183	Government and Provincial Grants and Subsidies	8,749,121	11,280,000
8,265,066	Income from tariffs, service charges, etc.	5,964,369	6,359,000
<u>14,135,567</u> =====		<u>14,713,490</u> =====	<u>17,639,000</u> =====
	EXPENDITURE		
8,653,025	Salaries, Wages and Allowance	8,053,674	8,875,000
4,698,526	General Expenditure	11,825,556	7,350,000
1,560,889	- Electricity Purchases	1,872,082	1,296,000
3,137,637	- Other Expenditure	9,953,475	6,054,000
2,008,374	Maintenance and Repair	1,887,005	892,000
192,973	Capital Charges	258,541	419,000
0	Capital Outlay	0	102,000
0	Contributions	2,303	0
<u>15,552,898</u>	Gross Expenditure	<u>22,027,079</u>	<u>17,638,000</u>
0	Less: Departmental Charges	0	0
<u>15,552,898</u> =====		<u>22,027,079</u> =====	<u>17,638,000</u> =====

APPENDIX E

KAROO HOOGLAND MUNICIPALITY: DETAILED INCOME STATEMENT FOR THE PERIOD ENDING 30 JUNE 2008

Actual Income R	2007 Actual Expenditure R	Surplus / (Deficit) R		Actual Income R	2008 Actual Expenditure R	Surplus / (Deficit) R	Budget R
9,257,706	11,947,251	(2,689,545)	RATES AND GENERAL	11,068,733	17,233,833	(6,165,060)	(2,683,105)
			Community Services				
7,069,761	8,847,217	(1,777,456)		8,724,234	13,748,476	(5,024,242)	(2,015,006)
2,036,509	0	2,036,509	Property Rates	1,870,136	-	1,870,135	2,352,880
0	0	0	Civil Defence	-	-	-	0
32,695	1,129,158	(1,096,463)	Council General	5,038,937	2,449,898	2,589,039	1,000,752
4,471,183	1,056,031	3,415,152	Grants	-	-	-	(118,600)
40,000	103,365	(63,365)	Health Services	-	125,844	(125,844)	(4,205,983)
489,374	4,456,768	(3,967,394)	Administration	1,815,161	9,709,458	(7,894,297)	(1,044,055)
0	2,101,895	(2,101,895)	Public Works	-	1,463,276	(1,463,276)	
56,215	1,250,305	(1,194,090)	Subsidized Services	99,808	1,442,650	(1,342,842)	(1,362,524)
1,880	36,922	(35,042)	Cemeteries	4,940	1,844	3,096	(280,109)
2,143	347,114	(344,971)	Libraries	6,091	568,677	(562,586)	(304,284)
35,076	39,019	(3,943)	Civic Buildings	61,290	82,878	(21,588)	(138,293)
1,750	64,046	(62,296)	Museum	2,306	0	2,306	0
15,366	763,204	(747,838)	Parks and Recreation	25,181	789,251	(764,070)	(639,838)
0	0	0	Sport Grounds	0	0	0	0
2,131,730	1,849,729	282,001	Economical Services				
			Sanitation	2,244,731	2,042,707	202,024	694,425
			HOUSING SERVICES				
0	0	0	Sub-economical Housing	0	0	0	0
0	0	0	Economical Housing	0	0	0	0
0	0	0	Housing Services	0	0	0	0
4,877,861	2,688,074	1,272,214	TRADING SERVICES	3,644,717	4,793,247	(1,148,530)	2,476,155
2,767,364	2,688,074	79,290	Electricity	2,271,448	3,512,162	(1,240,714)	1,187,240
2,110,497	917,573	1,192,924	Water	1,373,269	1,281,085	92,184	1,288,915
14,135,567	15,552,898	(1,417,331)	TOTAL	14,713,490	22,027,080	(7,313,590)	206,950

Appropriations for the
Year (See note 17)

1,630,946

Net surplus / (deficit) for the year

(7,313,559)

Unappropriation surplus / (deficit)
At the beginning of the year

1,522,450

**UNAPROPRIATION SURPLUS /
(DEFICIT) AT THE END OF THE YEAR**

(4,160,193)

APPENDIX F

KAROO HOOGLAND MUNICIPALITY: STATISTICAL INFORMATION FOR THE PERIOD ENDING 30 JUNE 2008

1. Population	12,116
2. Valuation	
a. Land Value	1,329,300
b. Improvement value	42,549,632
c. Valuation Date	1 July 1990
3. Number of employees	82
4. Electricity	
a. Number of users	1024
b. Number units purchased	4977029
c. Number units sold	4511550
d. Number of units lost	22222
e. Cost per unit purchased	2
5. Water	
a. Number of users	1024
b. Number units purchased	0
c. Number units sold	4511550
d. Number of units lost	unknown
e. Cost per unit purchased	unknown
6. Miscillanuaous	
a. Area in hektars	25,809
b. Number of voters	6,118
c. Persentage of votes	86.8%

